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State of Utah

DEPARTMENT OF NATURAL RESOURCES

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Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

80010035

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April 1, 2009

David Penney
Penney's Gemstones LLC
2400 East 30 South
Beaver, Utah 84713

Subject: Response to BLM's Recent Bond Request, Penney's Gemstones LLC, Silver 1-2 Mine, 80010035, Beaver County, Utah

Dear Mr. Penney:

The Division needs you to complete the reclamation bonding for the Silver 1-2 mine plan. The following issues still remain unresolved:

1. You have never fully reclaimed the existing loadout or all of the remaining disturbance associated with Karl Truman's Independence Claim south of the road. You are still considered responsible for this disturbance and will be bonded for reclamation of it. In addition, you have not seeded the area north of the road that was regraded more than a year ago. For purposes of calculating the bond, this amounts to about one acre of complete reclamation and two acres of reseeding.
2. The Division is not responsible to communicate with Karl Truman to gain permission for you to do reclamation work on his land, but we have a copy of a letter from Mr. Truman giving permission for you to do this work. You are required under State Law to reclaim your disturbances to the standards in the rules.
3. The map needs to clearly show those areas for which you are responsible and the current status of those areas. This includes: 1) The regraded, unseeded area and the unreclaimed areas discussed in item 1 above. 2) Existing disturbances on the Silver 1-2 mining claim. 3) Proposed disturbances within the Silver 1-2 mining claim.
4. The Notice of Intention to Commence Small Mining Operations (NOI) needs to include acreage figures for the areas in various stages of reclamation. In making the bonding table below, the Division has made several assumptions which may or may not be correct.
5. You will need to submit an updated NOI with the corrected map and acreage figures. You can find this form on the web at this address:
https://fs.ogm.utah.gov/pub/mines/minerals_related/forms/MR-SMO.pdf.



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The reclamation surety amount will be \$10,400.00 based on a three-year escalation or \$10,600.00 based on a 5-year escalation as shown below. This assumes the shown acreage figures, which may not be correct, and the Division may need to revise this table once we receive the additional acreage information discussed in item 4 above.

**Small Mine Operation Bond
Calculation Worksheet S0010035
3-year escalation (2011)**

Item	Qty	Unit Cost	Total Cost
1st Acre Disturbance requiring regrading	1	\$7,400.00	\$7,400.00
Add'l Acres Disturbance	0	\$4,300.00	\$0.00
Acres of Reseeding	2	\$1,000.00	\$2,000.00
Mobilization for Seeding	1	\$1,000.00	\$1,000.00
TOTAL			\$10,400.00

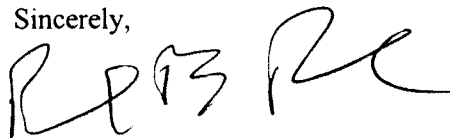
5-year escalation (2013)

Item	Qty	Unit Cost	Total Cost
1st Acre Disturbance requiring regrading	1	\$7,600.00	\$7,600.00
Add'l Acres Disturbance	0	\$4,400.00	\$0.00
Reseeding	2	\$1,000.00	\$2,000.00
Mobilization for Seeding	1	\$1,000.00	\$1,000.00
TOTAL			\$10,600.00

Please provide this surety within the next thirty days or we will consider this permit in noncompliance for failing to provide surety for reclamation of existing disturbances. When the surety is posted and the new NOI and revised map are received and approved, the Division will accept the amendment as complete and the permit will no longer be in noncompliance.

Thank you for your cooperation to help finalize this permitting action. In reply, please refer to file number S0010035. If you have questions, please contact me at 801-538-5261 or Tom Munson at (801) 538-5321.

Sincerely,



Paul Baker
Mining Minerals Manager

PB:tm:vs

cc: Ed_ginouves@blm.gov

operator email: ep7@xmission.com

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